

State of the Economy:

Leading, Lagging, and Coincident Indicators

February 2024

Economic
INSIGHT



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Executive Summary

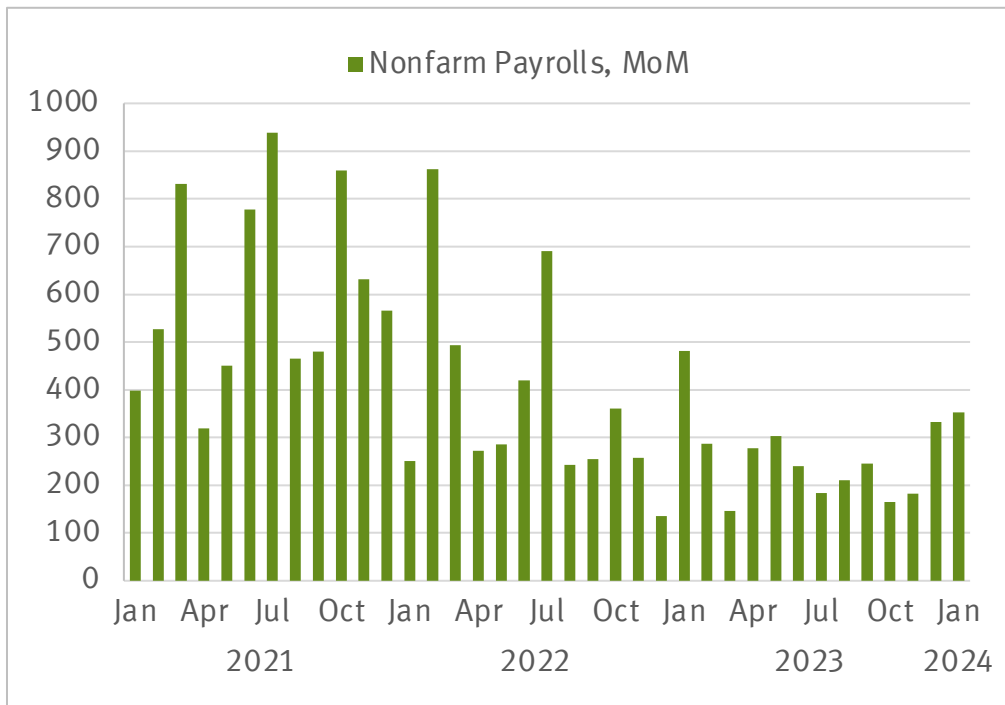
Leaving rates unchanged for the fourth consecutive meeting in January, Federal Reserve (Fed) officials continue to tout a message of patience, reminding market participants no further rate hikes do not necessarily translate into rate cuts, at least not yet. While the Fed sees the risks to achieving its employment and inflation goals as moving into better balance, Committee members remain *"highly attentive"* to inflation, noting the *"risks of moving too quickly to ease the stance of policy."* Thus, despite market optimism for a near-term reduction in rates, the Fed has clearly outlined the need for further improvement in price pressures before taking action, particularly against the backdrop of a hotter-than-expected read on consumer and producer prices at the start of the year, as well as potential upside risks stemming from international factors.

The Fed doesn't necessarily need to see inflation fall to the 2% target before taking action, but with the economy as strong as it is, the Fed can approach the decision of rate cuts with patience and wait for further confidence in the data and clear indications of a sustainable disinflationary trend. In fact, barring a significant slowdown or recessionary scenario, there is no urgency for the Committee to remove restrictive policy other than to return to a more balanced or neutral level once inflation has stabilized. Furthermore, with growth seemingly accelerating beyond earlier forecasts into year-end, and credit conditions easing, the notion that the Committee would need to lower rates to help stabilize the economy seems clearly unjustified.

Leading Indicators

NONFARM PAYROLLS RISE MORE THAN EXPECTED IN JANUARY

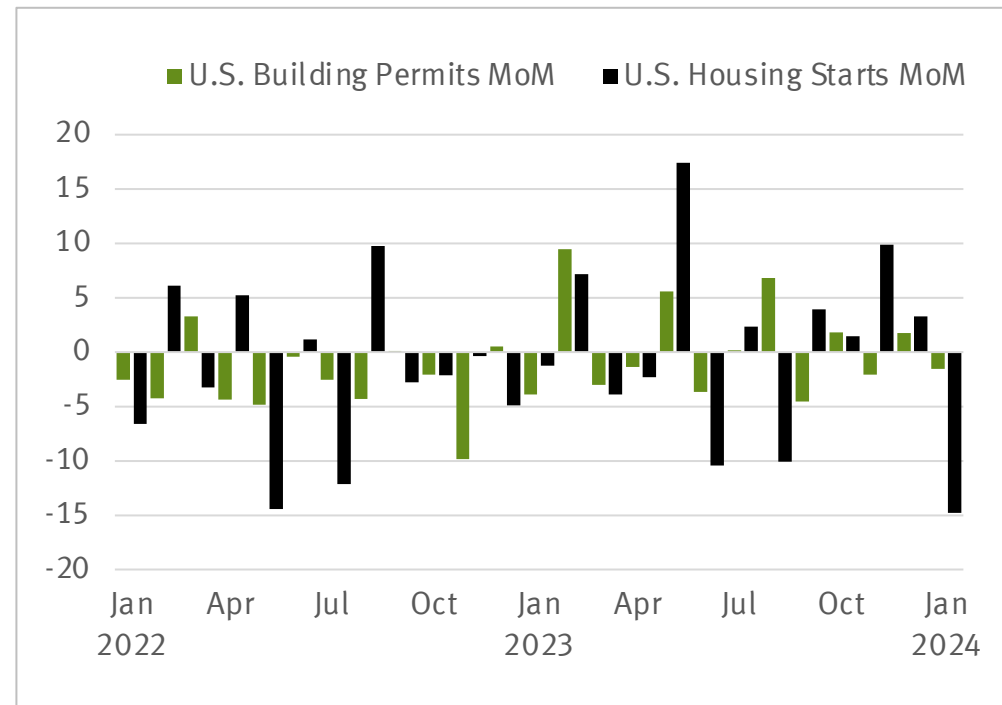
Nonfarm payrolls rose by 353,000 in January, well surpassing the 185,000 gain expected and the strongest pace of monthly job growth since January 2023.



NFP TCH Index (U.S. Employees on Nonfarm Payrolls Total MoM Net Change SA) Nonfarm Payrolls Monthly
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BUILDING PERMITS AND HOUSING STARTS FALL IN JANUARY; REMAIN SLUGGISH

On a month-over-month (MoM) basis, building permits fell 1.5%, while housing starts plunged 14.8% in January.



NHCHATCH Index (Private Total Housing Authorized by Building Permits MoM SA) Housing Permits/Starts Monthly
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Leading Indicators

MANUFACTURING ACTIVITY REMAINS IN CONTRACTIONARY TERRITORY

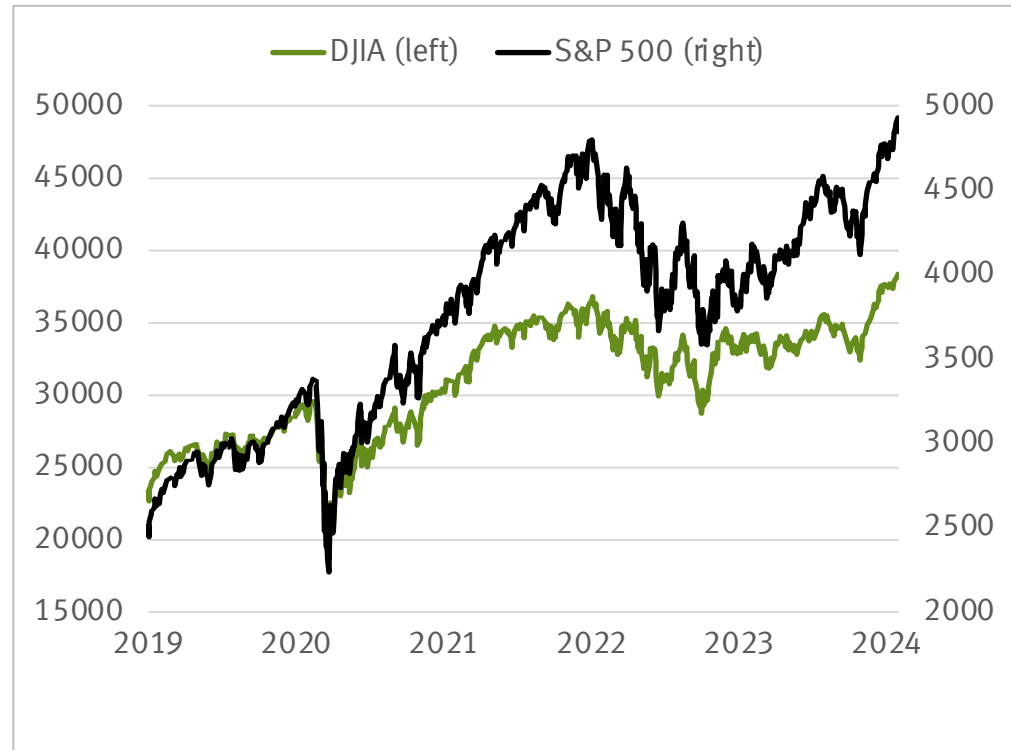
The Institute for Supply Management (ISM) Manufacturing Index rose to 49.1 in January, the highest reading since October 2022, albeit the 15th consecutive month in contractionary territory (a reading below 50).



NAPMPMI Index (ISM Manufacturing PMI SA) Manufacturing Monthly
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STOCKS MOVE HIGHER AT THE START OF THE YEAR

Stocks ended higher in January. The S&P 500 started at 4,769.83, rising 1.6% during the month. The Dow Jones Industrial Average (DJIA), which started at 37,689.541, gained 1.2% at the start of the year.



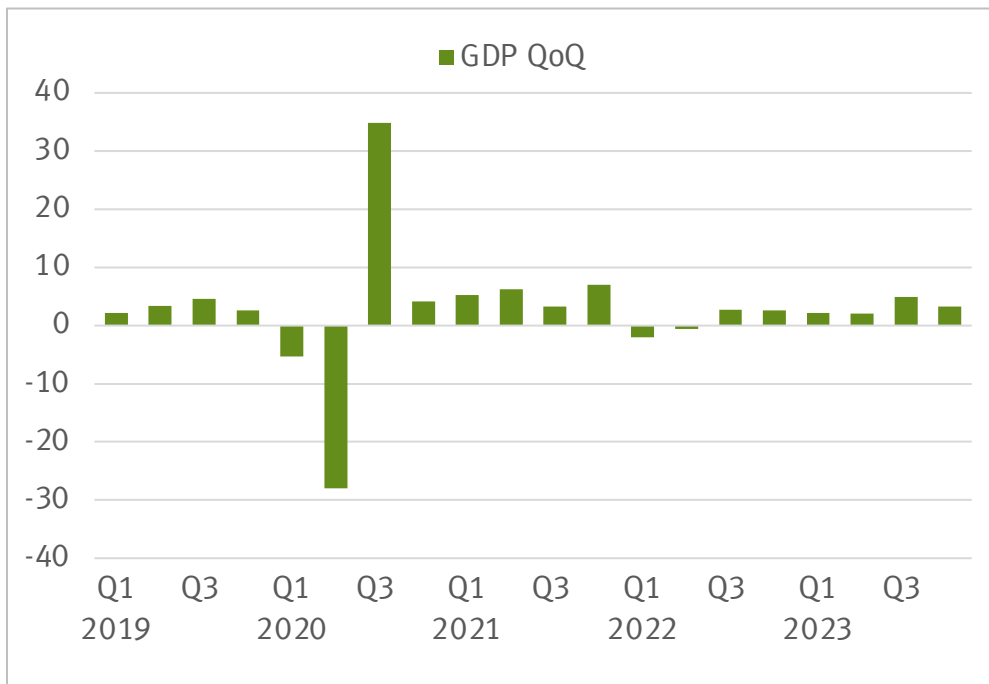
SPX Index (S&P 500 Index) SP500/DJIA Daily
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Lagging Indicators

GDP RISES 3.3% in Q4, MORE THAN EXPECTED

Q4 GDP rose 3.3% in the preliminary report, well surpassing the 2.0% gain expected.



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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U.S. EMPLOYMENT RATE STEADY AND REMAINS HISTORICALLY LOW

The U.S. unemployment rate remained at 3.7% in January for the third consecutive month, near a five-decade low.

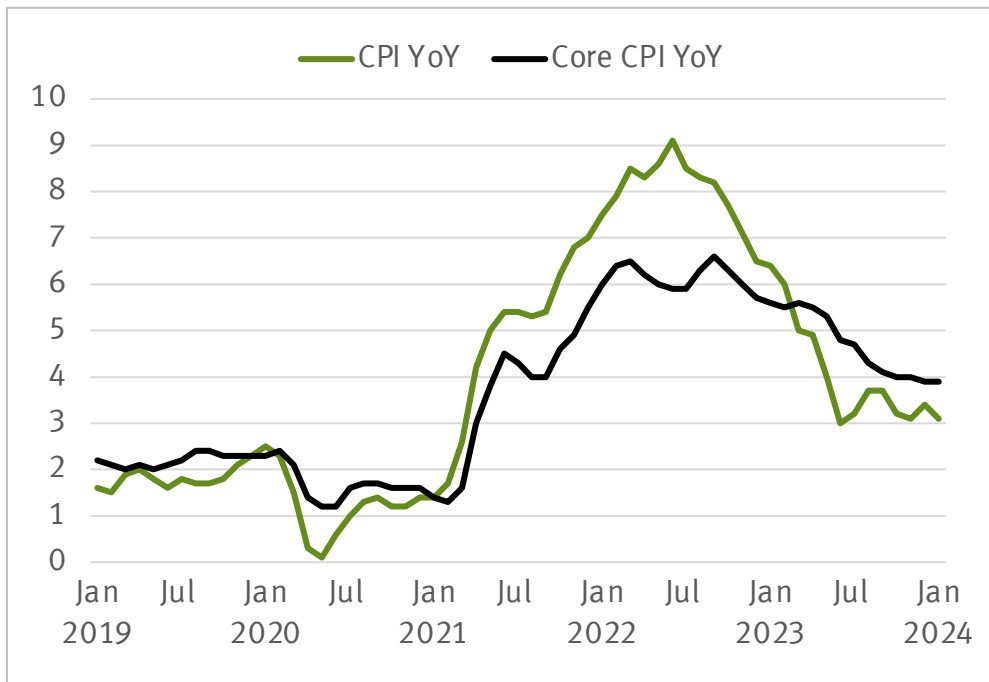


USURTOT Index (U-3 U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted) Unemployment and Wages Monthly
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Lagging Indicators

INFLATION REMAINS ELEVATED AT THE START OF THE YEAR

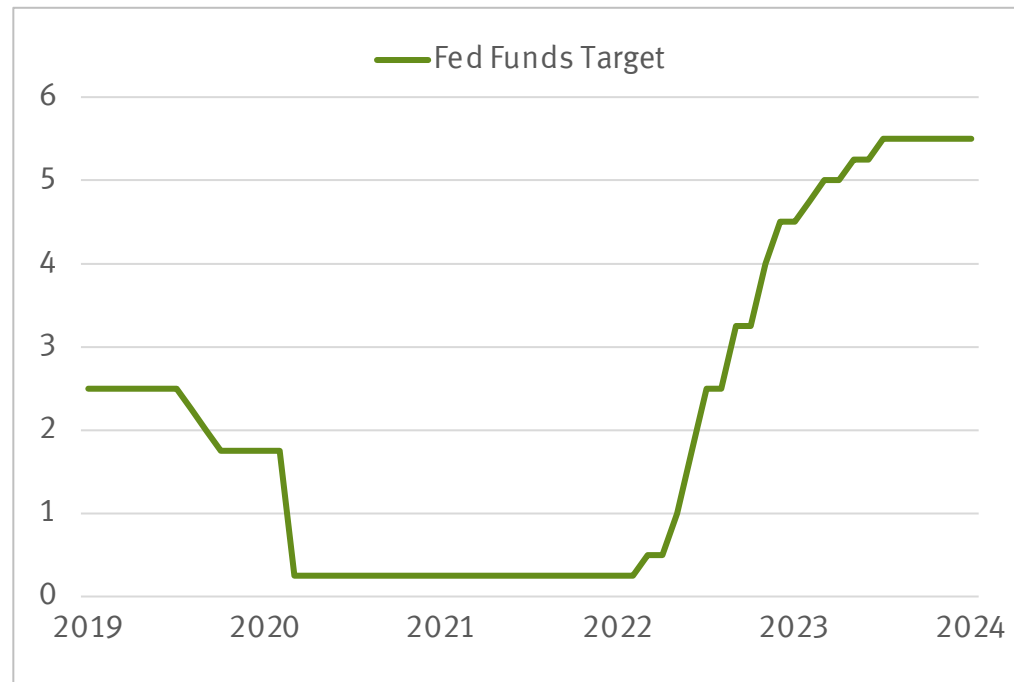
The Consumer Price Index (CPI) rose 0.3% in January and 3.1% over the past 12 months. Excluding food and energy, the core CPI rose 0.4% for the month and 3.9% year-over-year (YoY).



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars QoQ SAAR) GDP Bar Chart Quarterly
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FEDERAL RESERVE HOLDS RATE STEADY IN JANUARY

As expected in January, the Federal Reserve kept rates steady for the fourth consecutive meeting at a range of 5.25% to 5.50%.

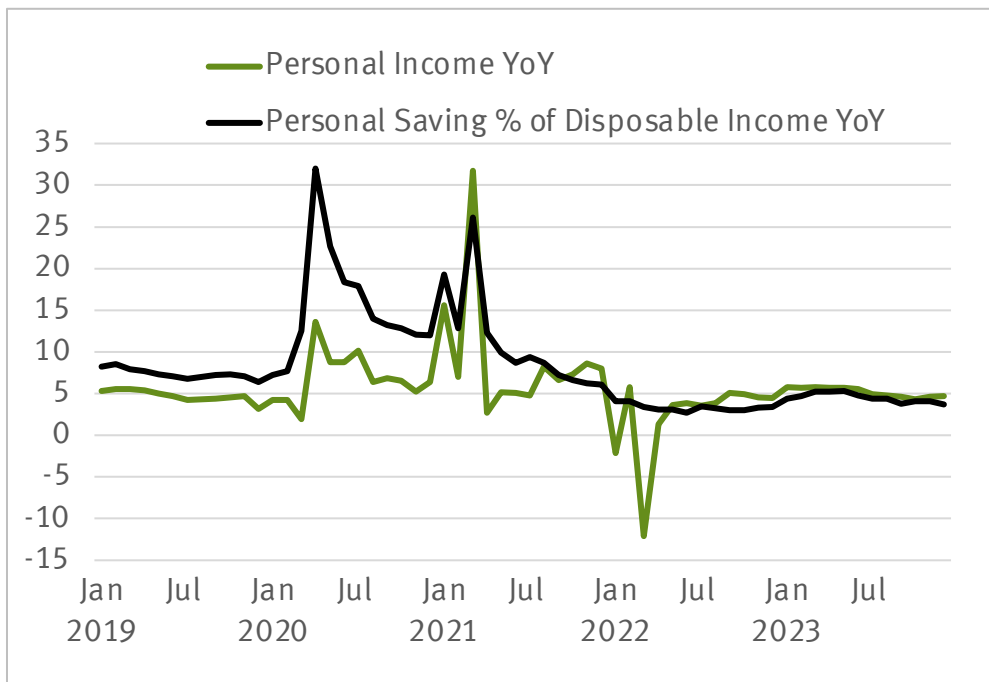


FDTR Index (Federal Funds Target Rate – Upper Bound) Fed Funds Tgt/Effective Daily
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Coincident Indicators

INCOME AND SAVINGS DOWN FROM PEAK

Personal income rose 4.7%. Personal savings as a percent of disposable personal income rose 3.7% in December, down from a 4.1% gain in November.



PITLYOY Index (U.S. Personal Income YoY SA) Personal Income/Saving Daily
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U.S. INDUSTRIAL PRODUCTION REMAINS LACKLUSTER

Industrial production rose 0.03% in January from a year prior, the weakest annual pace since November.

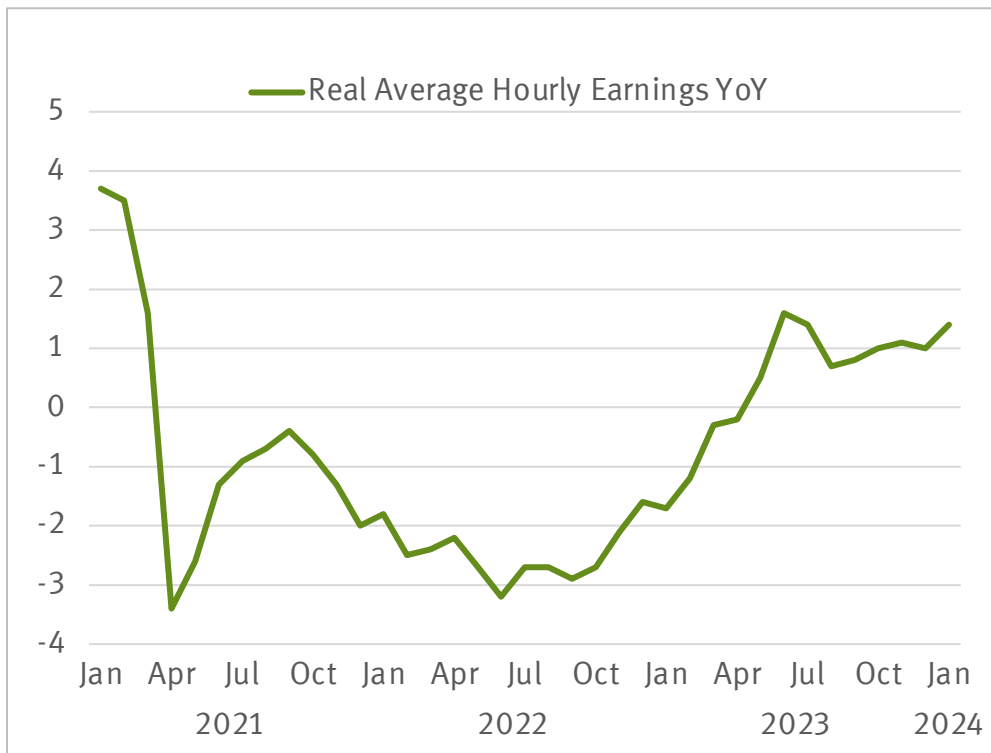


IP YOY Index (U.S. Industrial Production YOY SA) Industrial Production Daily
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Coincident Indicators

REAL EARNINGS TRENDING HIGHER

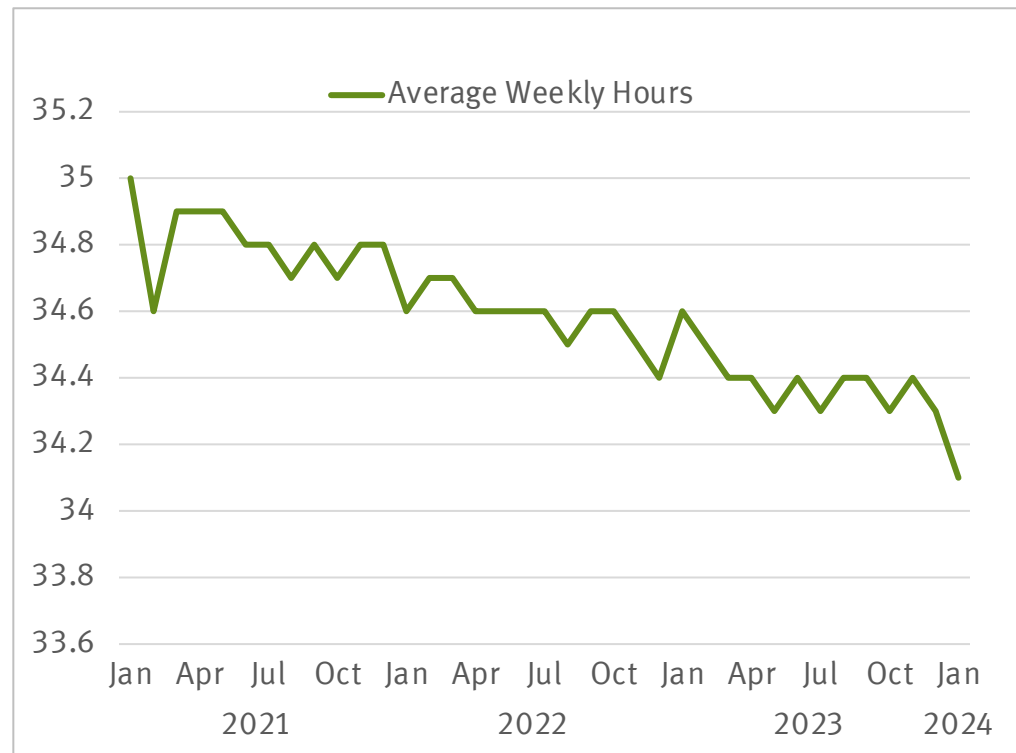
Real average hourly earnings increased by 1.4% in January from a year ago, the largest gain in six months.



REALYRAW Index (U.S. Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Average Earnings Daily
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WEEKLY HOURS TICKING DOWN

Average weekly hours fell from 34.3 to 34.1 hours in January, the lowest since 2020.



AWH TOTL Index (U.S. Average Weekly Hours All Employees Total Private SA) Average Weekly Hours Monthly
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The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The ISM Manufacturing Index is a composite diffusion index created to monitor employment, production inventories, new orders, and supplier deliveries in national manufacturing based on surveys of more than 300 manufacturing firms by the Institute of Supply Management.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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